

CITY OF CARSON

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2014

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City of Carson

Officials

<u>Name</u>	<u>Title</u> (Before January 2014)	<u>Term Expires</u>
Eric Weuve	Mayor	January 2014
Sue Jones	Council Member	January 2014
Charles Strong	Council Member	January 2014
Richelle Alff	Council Member	January 2014
Troy Graves	Council Member	January 2016
Callie Kallsen	Council Member	January 2016
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Rick Kimble	City Attorney	Indefinite

<u>Name</u>	<u>Title</u> (After January 2014)	<u>Term Expires</u>
Eric Weuve	Mayor	January 2014
Troy Graves	Council Member	January 2016
Callie Kallsen	Council Member	January 2016
Donnie Hendricks	Council Member	January 2018
Adam Houser	Council Member	January 2018
Tim Todd	Council Member	January 2018
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Steve Krohn	City Attorney	Indefinite

CITY OF CARSON



Diane McGrain, CPA
Jim Menard, CPA

October 3, 2014

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the city's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

City of Carson
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison on pages 7 through 12, and 28 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014 on our consideration of the City of Carson's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson's internal control over financial reporting and compliance.

Schwer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2014. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by 32.2%, or approximately \$426,000 from fiscal 2013 to fiscal 2014. Capital grants decreased approximately \$60,000. Operating grants increased approximately \$209,000. Tax increment financing collections decreased approximately \$61,000. Note proceeds decreased approximately \$557,000.
- Disbursements increased 125.5%, or approximately \$767,000 from 2013 to 2014. Public safety increased approximately \$170,000, public works increased approximately \$423,000, community and economic development increased approximately \$88,000, and debt service increased approximately \$57,000.
- The City's total cash basis net position increased by \$459,405 from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased \$482,131, and the net position of the business type activities increased by \$22,726.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and solid waste removal. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$482,131 to \$618,807. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 69,277	49,694
Operating grants, contributions and restricted interest	369,250	159,694
Capital grants, contributions and restricted interest	-	59,374
General receipts:		
Property tax	284,273	265,388
Tax increment financing	71,981	133,462
Local option sales tax	100,933	97,287
Grants and contributions not restricted to specific purposes	868	868
Unrestricted interest on investments	219	186
Note proceeds	-	557,350
Total receipts	896,801	1,323,303
Disbursements:		
Public safety	309,714	139,545
Public works	516,014	93,391
Culture and recreation	87,657	60,137
Community and economic development	132,970	44,834
General government	80,586	72,206
Debt service	251,641	195,308
Capital projects	350	6,137
Total disbursements	1,378,932	611,558
Change in cash basis net position	(482,131)	711,745
Cash basis net position beginning of year	1,100,938	389,193
Cash basis net position end of year	\$ 618,807	1,100,938

The total receipts for governmental activities decreased \$426,502. The total cost of all programs and services increased by \$767,374. The significant decrease in receipts was due to note proceeds of approximately \$557,000 received the prior year.

The cost of all governmental activities this year was \$1,378,932 compared to \$611,558 from the prior year. Prior fiscal year note proceeds were spent in the current fiscal year.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$940,405, due to costs paid by those directly benefited from the programs (\$69,277) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$369,250).

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 139,807	148,272
Sewer	173,794	175,108
Garbage	72,300	64,892
Total receipts	385,901	388,272
Disbursements:		
Water	149,154	142,840
Sewer	144,846	151,852
Garbage	69,175	60,205
Total disbursements	363,175	354,897
Change in cash basis net position	22,726	33,375
Cash basis net position beginning of year	4,084	(29,291)
Cash basis net position end of year	\$ 26,810	4,084

Total business type activities receipts for the fiscal year were \$385,901 compared to \$388,272 last year. The cash balance increased by \$22,726. Total disbursements for the fiscal year increased \$8,278.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$618,807, a decrease of \$482,131 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$10,473, a decrease of \$84,237 from prior year primarily due to street improvement projects and a park trail project.
- The Road Use Tax Fund balance at the end of the fiscal year was \$55,858, a decrease of \$229,766 primarily due to the North Dye Street and the Hiway 92 paving projects.
- The Local Option Sales Tax Fund balance remained at zero since receipts are transferred to the General Fund for property tax relief.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$534,472, a decrease of \$124,795 from the previous year. The decrease was due to the Hiway 92 paving project.
- The Debt Service Fund balance was \$25,491, a decrease of \$42,983 from the prior year due to increased debt service requirements for the 2013 bond issue.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance decreased \$9,347 to \$92,220 due to an increase in water fund expenditures.
- The Sewer Fund balance increased by \$28,948 to (\$36,889) due to reducing yearly fund expenditures in order to correct the negative fund balance.
- The Garbage Fund balance increased by \$3,125 to (\$28,521) due to reducing yearly fund expenditures in order to correct the negative fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended one time for a total increase of \$11,649 for disbursements. City receipts were \$32,267 less than budgeted. After the budget amendment, total disbursements were \$89,974 less than anticipated.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$1,860,000 in bonds and other long-term debt, compared to approximately \$2,155,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
General obligation notes and bonds	\$ 1,102	1,318
Urban renewal tax increment financing bonds	40	60
Revenue bonds	718	777
	<u>\$ 1,860</u>	<u>2,155</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt and TIF debt of \$1,142,000 is below its constitutional debt limit of approximately \$1,800,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

Strategic planning and capital equipment needs are prioritized and planned by City officials and department heads on a yearly basis. Funding strategies such as grant time frames and the City's debt capacity are all taken into account during budgetary planning process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

City of Carson
Basic Financial Statements

City of Carson
Statement of Activities and Net Position
As of and for the year ended June 30, 2014

		Program Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:	Disbursements	Service				
Governmental activities:						
Public safety	\$ 309,714	51,272	30,929	(227,513)	-	(227,513)
Public works	516,014	-	271,248	(244,766)	-	(244,766)
Culture and recreation	87,657	17,475	63,025	(7,157)	-	(7,157)
Community and economic development	132,970	-	-	(132,970)	-	(132,970)
General government	80,586	530	4,048	(76,008)	-	(76,008)
Debt service	251,641	-	-	(251,641)	-	(251,641)
Capital projects	350	-	-	(350)	-	(350)
Total governmental activities	1,378,932	69,277	369,250	(940,405)	-	(940,405)
Business type activities:						
Water	149,154	139,807	-	-	(9,347)	(9,347)
Sewer	144,846	173,794	-	-	28,948	28,948
Garbage	69,175	72,300	-	-	3,125	3,125
Total business type activities	363,175	385,901	-	-	22,726	22,726
Total	\$ 1,742,107	455,178	369,250	(940,405)	22,726	(917,679)
General Receipts:						
Property tax levied for general purposes				284,273	-	284,273
Tax increment financing				71,981	-	71,981
Local option sales tax				100,933	-	100,933
Grants and contributions not restricted to specific purpose				868	-	868
Unrestricted interest on investments				219	-	219
Total general receipts and transfers				458,274	-	458,274
Change in cash basis net position				(482,131)	22,726	(459,405)
Cash basis net position beginning of year				1,100,938	4,084	1,105,022
Cash basis net position end of year				\$ 618,807	26,810	645,617
Cash Basis Net Position						
Restricted:						
Expendable:						
Streets				\$ 55,858	-	55,858
Urban renewable purposes				534,472	-	534,472
Debt service				25,491	-	25,491
Other purposes				15,090	-	15,090
Unrestricted				(12,104)	26,810	14,706
Total cash basis net position				\$ 618,807	26,810	645,617

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2014

		Special Revenue				Other	
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Nonmajor Governmental Funds	Total
Receipts							
Property tax	\$ 138,332	-	-	-	143,882	-	282,214
Tax increment financing	-	-	-	71,981	-	-	71,981
Other city tax	1,089	-	100,933	-	970	-	102,992
Licenses and permits	1,514	-	-	-	-	-	1,514
Use of money and property	3,960	-	-	-	-	-	3,960
Intergovernmental	22,255	269,348	-	-	-	-	291,603
Charges for service	29,020	-	-	-	-	-	29,020
Miscellaneous	111,617	1,900	-	-	-	-	113,517
Total receipts	307,787	271,248	100,933	71,981	144,852	-	896,801
Disbursements							
Operating:							
Public safety	309,714	-	-	-	-	-	309,714
Public works	15,000	501,014	-	-	-	-	516,014
Culture and recreation	87,657	-	-	-	-	-	87,657
Community and economic development	-	-	-	132,970	-	-	132,970
General government	80,586	-	-	-	-	-	80,586
Debt service	-	-	-	-	251,641	-	251,641
Capital projects	-	-	-	-	-	350	350
Total disbursements	492,957	501,014	-	132,970	251,641	350	1,378,932
Excess (deficiency) of receipts over (under) disbursements	(185,170)	(229,766)	100,933	(60,989)	(106,789)	(350)	(482,131)
Other financing sources (uses):							
Operating transfers in	100,933	-	-	-	63,806	-	164,739
Operating transfers out	-	-	(100,933)	(63,806)	-	-	(164,739)
	100,933	-	(100,933)	(63,806)	63,806	-	-
Change in cash balances	(84,237)	(229,766)	-	(124,795)	(42,983)	(350)	(482,131)
Cash balances beginning of year	94,710	285,624	-	659,267	68,474	(7,137)	1,100,938
Cash balances end of year	\$ 10,473	55,858	-	534,472	25,491	(7,487)	618,807
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	55,858	-	-	-	-	55,858
Urban renewal purposes	-	-	-	534,472	-	-	534,472
Debt service	-	-	-	-	25,491	-	25,491
Other purposes	-	-	-	-	-	15,090	15,090
Assigned for park project	39,871	-	-	-	-	-	39,871
Unassigned	(29,398)	-	-	-	-	(22,577)	(51,975)
Total cash basis fund balances	\$ 10,473	55,858	-	534,472	25,491	(7,487)	618,807

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 138,978	173,781	71,682	384,441
Operating disbursements:				
Business type activities	136,826	74,036	69,175	280,037
Excess (deficiency) of operating receipts over (under) operating disbursements	2,152	99,745	2,507	104,404
Non-operating receipts (disbursements):				
Miscellaneous	829	13	618	1,460
Debt service	(12,328)	(70,810)	-	(83,138)
Total non-operating receipts (disbursements)	(11,499)	(70,797)	618	(81,678)
Change in cash balances	(9,347)	28,948	3,125	22,726
Cash balances beginning of year	101,567	(65,837)	(31,646)	4,084
Cash balances end of year	\$ 92,220	(36,889)	(28,521)	26,810
Cash Basis Fund Balances				
Unrestricted	\$ 92,220	(36,889)	(28,521)	26,810

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Landfill Association, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the receipts from tax authorized by referendum and used for community betterment projects.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (2) Cash and Pooled Investments - Continued

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$645,617.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation debt, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 203,500	26,663	20,000	1,660	61,000	22,217	284,500	50,540
2016	215,000	21,243	20,000	840	68,000	20,228	303,000	42,311
2017	146,500	15,248	-	-	70,000	17,932	216,500	33,180
2018	137,000	11,607	-	-	56,000	15,570	193,000	27,177
2019	125,000	8,305	-	-	57,000	13,890	182,000	22,195
2020-2024	275,000	12,090	-	-	313,000	42,720	588,000	54,810
2025-2027	-	-	-	-	93,000	3,630	93,000	3,630
	<u>\$ 1,102,000</u>	<u>95,156</u>	<u>40,000</u>	<u>2,500</u>	<u>718,000</u>	<u>136,187</u>	<u>1,860,000</u>	<u>233,843</u>

Interest costs paid during the year ended June 30, 2014 totaled \$59,639.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,800,000 which was not exceeded during the year ended June 30, 2014.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (3) Bonds and Notes Payable - Continued

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Tibbles subdivision. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$42,500, payable through June 2016. For the current year, total bond and interest payments and total TIF receipts were \$22,460 and \$71,981, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$44,008. For the current year, principal and interest paid and total customer net receipts were \$12,328 and \$2,152, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$810,179. For the current year, principal and interest paid and total customer net receipts were \$70,810 and \$99,745, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

Sewer revenue charges were insufficient in the past to meet the debt resolution provision. The sewer fund still has a deficit cash basis fund balance.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (4) Lease Agreement

The City leases a copy machine under an operating lease agreement. Rent expense for the year ended June 30, 2014 was \$1,656. The future minimum required minimum lease payments are as follows:

Year ending June 30,	Amount
2015	\$ 1,656
2016	1,656
2017	1,656
2018	1,518
Total	\$ 6,486

NOTE (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$16,954, \$16,263, and \$14,922 respectively, equal to the required contributions for each year.

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$823 for single coverage and \$1,333 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, there were no plan members eligible for benefits.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2014, primarily relating to the General Fund is \$32. Two employees owe the City \$265 due to excess days used during the year. This liability and receivable is computed on rates of pay effective as of June 30, 2014.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 100,933
Debt Service	Special Revenue: Urban Renewal Tax Increment	63,806
		\$ <u>164,739</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Deficit Fund Balances

At June 30, 2014, the City had the following deficit fund balances:

Capital Projects	\$ 22,577
Proprietary, Sewer Fund	36,889
Proprietary, Garbage Fund	<u>28,521</u>
Total	\$ <u>87,987</u>

The Capital Projects deficits will be eliminated upon receipts of other financing sources. The Garbage and Sewer Fund deficits will be eliminated by prior increases in fees for services.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (11) Urban Renewal

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

NOTE (12) Commitments

Billing Services Agreement

On October 1, 2010, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the net collections on the City's behalf during the preceding month. The initial term of the agreement was for three years and automatically will renew for successive one-year terms. Either party may terminate with 90 days notice.

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$56,646 on the contract during fiscal year 2014.

City of Carson
Notes to Financial Statements
June 30, 2014

NOTE (12) Commitments - Continued

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2014. The contract is payable in four installments of \$3,553 during fiscal year 2015.

NOTE (13) Franchise Agreement

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

NOTE (14) Construction Commitments

At June 30, 2014, the city had street and trail project construction commitments of \$65,924. There were retainages due of \$24,761 included in those commitments.

NOTE (15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Carson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 282,214	-	282,214	281,436	281,436	778
Tax increment financing	71,981	-	71,981	76,048	76,048	(4,067)
Other city tax	102,992	-	102,992	101,976	101,976	1,016
Licenses and permits	1,514	-	1,514	1,935	2,235	(721)
Use of money and property	3,960	-	3,960	23,730	59,003	(55,043)
Intergovernmental	291,603	-	291,603	362,987	361,654	(70,051)
Charges for service	29,020	384,441	413,461	424,900	426,967	(13,506)
Miscellaneous	113,517	1,460	114,977	4,150	5,650	109,327
Total receipts	896,801	385,901	1,282,702	1,277,162	1,314,969	(32,267)
Disbursements						
Public safety	309,714	-	309,714	292,529	315,503	5,789
Public works	516,014	-	516,014	91,705	548,834	32,820
Culture and recreation	87,657	-	87,657	63,655	84,153	(3,504)
Community and economic development	132,970	-	132,970	696,669	207,050	74,080
General government	80,586	-	80,586	82,589	84,514	3,928
Debt service	251,641	-	251,641	217,533	202,706	(48,935)
Capital projects	350	-	350	-	350	-
Business type activities	-	363,175	363,175	375,752	388,971	25,796
Total disbursements	1,378,932	363,175	1,742,107	1,820,432	1,832,081	89,974
Excess (deficiency) of receipts over (under) disbursements	(482,131)	22,726	(459,405)	(543,270)	(517,112)	57,707
Other financing sources, net:	-	-	-	604,936	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(482,131)	22,726	(459,405)	61,666	(517,112)	57,707
Balances beginning of year	1,100,938	4,084	1,105,022	418,408	1,105,023	(1)
Balances end of year	\$ 618,807	26,810	645,617	480,074	587,911	57,706

See accompanying independent auditors' report.

City of Carson
Notes to Other Information – Budgetary Reporting
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$11,649. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the culture and recreation and debt service functions.

Supplementary Information

City of Carson
Schedule of Cash Receipts, Disbursements and Changes in
Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2014

	Special Revenue				
	Employee Benefits	Insurance	Fema	Capital Projects	Total
Receipts					
None	\$ -	-	-	-	-
Disbursements:					
Capital projects	-	-	-	350	350
Change in cash balances	-	-	-	(350)	(350)
Cash balances beginning of year	50	438	14,602	(22,227)	(7,137)
Cash balances end of year	<u>\$ 50</u>	<u>438</u>	<u>14,602</u>	<u>(22,577)</u>	<u>(7,487)</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ 50	438	14,602	-	15,090
Unassigned	-	-	-	(22,577)	(22,577)
Total cash basis fund balances	<u>\$ 50</u>	<u>438</u>	<u>14,602</u>	<u>(22,577)</u>	<u>(7,487)</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Street/storm sewer	Nov 15, 2006	4.35-4.50%	\$ 135,000	\$ 60,000	-	15,000	45,000	2,633	-
Essential corporate purpose	Nov 30, 2007	4.10-4.15%	495,000	200,000	-	65,000	135,000	8,625	-
Water Improvement	Jul 1, 2009	3.80%	82,000	16,346	-	16,346	-	490	-
Fire truck and backhoe	Jul 1, 2011	3.50-3.90%	181,000	160,000	-	25,000	135,000	5,916	-
Street improvement	Jul 25, 2011	1.60-3.00%	280,000	250,000	-	30,000	220,000	6,240	-
Sewer improvement	May 30, 2012	3.50-3.75%	62,000	62,000	-	10,000	52,000	1,958	-
Essential corporate purpose	Apr 25, 2013	0.05-2.00%	570,000	570,000	-	55,000	515,000	7,631	-
				\$ 1,318,346	570,000	216,346	1,102,000	33,493	-
Urban renewal tax increment financing (TIF) revenue bonds									
Tibbles/TIF Subdivision	Aug 1, 2005	4.10-4.20%	\$ 165,000	\$ 60,000	-	20,000	40,000	2,460	-
Revenue notes:									
Sewer	Sep 29, 2004	3.00%	\$ 750,000	\$ 502,000	-	35,000	467,000	15,060	-
Sewer	Oct 5, 2006	3.00%	250,000	179,000	-	11,000	168,000	5,370	-
Sewer	Jun 28, 2007	3.00%	59,000	46,000	-	3,000	43,000	1,380	-
Water	Nov 30, 2007	4.60-4.75%	100,000	50,000	-	10,000	40,000	2,328	-
				\$ 777,000	-	59,000	718,000	24,138	-

See accompanying independent auditors' report.

City of Carson
Bond and Note Maturities
June 30, 2014

General Obligation Bonds and Notes

Year Ending June 30,	Street/Storm Sewer Issued Nov 15, 2006		Essential Corporate Purpose Issued Nov 30, 2007		Fire Truck/Backhoe Issued Jul 1, 2011		Street Improvement Issued Jul 25, 2011		Sewer Improvement Issued May 30, 2012		Essential Corporate Purpose Issued Apr 25, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	4.35% \$	15,000	4.10% \$	65,000	3.50% \$	26,000	1.60% \$	30,000	3.50% \$	12,500	0.50% \$	55,000	203,500
2016	4.40%	15,000	4.15%	70,000	3.60%	27,000	1.60%	30,000	3.60%	13,000	0.85%	60,000	215,000
2017	4.50%	15,000	-	-	3.75%	28,000	3.00%	30,000	3.75%	13,500	0.85%	60,000	146,500
2018	-	-	-	-	3.80%	29,000	3.00%	30,000	3.75%	13,000	1.25%	65,000	137,000
2019	-	-	-	-	3.90%	25,000	3.00%	30,000	-	-	1.25%	70,000	125,000
2020	-	-	-	-	-	-	3.00%	35,000	-	-	1.25%	70,000	105,000
2021	-	-	-	-	-	-	3.00%	35,000	-	-	1.60-2.00%	45,000	80,000
2022	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	45,000
2023	-	-	-	-	-	-	-	-	-	-	2.00%	45,000	45,000
	\$	45,000	\$	135,000	\$	135,000	\$	220,000	\$	52,000	\$	515,000	\$ 1,102,000

Urban Renewal Tax
Increment (TIF) Revenue Bonds

Year Ending June 30,	Tibbles TIF Subdivision Issued Aug 1, 2005		Sewer Issued Sept 29, 2004		Sewer Issued Oct 5, 2006		Sewer Issued Jun 28, 2007		Water Issued Nov 30, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	4.10% \$	20,000	3.00% \$	36,000	3.00% \$	12,000	3.00% \$	3,000	4.60% \$	10,000	61,000
2016	4.20%	20,000	3.00%	38,000	3.00%	12,000	3.00%	3,000	4.70%	15,000	68,000
2017	-	-	3.00%	39,000	3.00%	13,000	3.00%	3,000	4.75%	15,000	70,000
2018	-	-	3.00%	40,000	3.00%	13,000	3.00%	3,000	-	-	56,000
2019	-	-	3.00%	41,000	3.00%	13,000	3.00%	3,000	-	-	57,000
2020	-	-	3.00%	42,000	3.00%	14,000	3.00%	3,000	-	-	59,000
2021	-	-	3.00%	43,000	3.00%	14,000	3.00%	3,000	-	-	60,000
2022	-	-	3.00%	45,000	3.00%	15,000	3.00%	3,000	-	-	63,000
2023	-	-	3.00%	46,000	3.00%	15,000	3.00%	3,000	-	-	64,000
2024	-	-	3.00%	48,000	3.00%	15,000	3.00%	4,000	-	-	67,000
2025	-	-	3.00%	49,000	3.00%	16,000	3.00%	4,000	-	-	69,000
2026	-	-	-	-	3.00%	16,000	3.00%	4,000	-	-	20,000
2027	-	-	-	-	-	-	3.00%	4,000	-	-	4,000
	\$	400,000	\$	467,000	\$	168,000	\$	43,000	\$	40,000	\$ 718,000

See accompanying independent auditors' report.

City of Carson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts										
Property tax	\$ 282,214	263,403	214,604	210,116	145,189	200,807	146,409	149,263	112,198	115,291
Tax increment financing collections	71,981	133,462	262,909	268,517	442,782	137,874	256,035	214,341	237,576	222,747
Other city tax	102,992	99,272	97,839	92,151	80,103	88,806	69,871	77,705	83,583	67,769
Licenses and permits	1,514	1,376	1,453	776	1,651	1,471	2,848	1,987	1,852	2,666
Use of money and property	3,960	9,134	9,712	7,361	11,539	8,635	13,888	20,084	5,695	862
Intergovernmental	291,603	176,774	227,253	92,521	95,813	87,028	179,779	597,304	968,980	154,309
Charges for service	29,020	39,118	31,095	32,914	43,739	50,893	35,074	56,147	22,888	12,962
Special assessments	-	252	-	-	685	368	-	-	-	-
Miscellaneous	113,517	43,162	59,265	42,370	11,444	92,952	26,444	348,173	84,182	59,867
Total	\$ 896,801	765,953	904,130	746,726	832,945	668,834	730,348	1,465,004	1,516,954	636,473
Disbursements										
Operating:										
Public safety	\$ 309,714	139,545	230,651	125,205	142,444	108,359	113,791	114,071	129,467	116,961
Public works	516,014	93,391	388,379	74,126	75,846	58,435	70,266	70,489	78,928	51,922
Culture and recreation	87,657	60,137	115,703	69,682	59,873	56,821	59,434	20,793	30,897	32,607
Community and economic development	132,970	44,834	102,488	204,974	53,636	132,414	79,866	205,412	205,902	159,736
General government	80,586	72,206	82,276	53,097	43,519	55,949	46,178	58,873	84,268	60,152
Debt service	251,641	195,308	157,194	102,441	287,139	283,035	627,966	74,340	57,224	91,263
Capital projects	350	6,137	203,874	44,481	7,087	28,533	461,501	2,230,688	1,751,328	429,624
Total	\$ 1,378,932	611,558	1,280,565	674,006	669,544	723,546	1,459,002	2,774,666	2,338,014	942,265

See accompanying independent auditors' report.

City of Carson



Diane McGrain, CPA
Jim Menard, CPA

October 3, 2014

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 3, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

Continued...

Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's Responses to Findings

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schwee & Associates, PC

City of Carson
Schedule of Findings
Year Ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

One person has control over depositing, check writing and posting for the Park records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations.

Conclusion – Response accepted.

I-B-14 Separate Board

Comment – The Park board maintains the accounting records pertaining to the park. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – We will consider recording the transactions in the Clerk's records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Carson
Schedule of Findings
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget

Comment - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget over expenditure was caused because the Park records were not recorded and budgeted in the City records. The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-14 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions

Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Sue Jones, Council Member Owner of Garden Chic Design	Cemetery and street decorations	\$ 1,562
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The transaction with the Council Member does not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the year.

II-E-14 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Carson
Schedule of Findings
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-F-14 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-14 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-14 Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We have increased our fees and will monitor the fund balances.

Conclusion – Response accepted.

II-I-14 Financial Condition

Comment – At June 30, 2014, the City had the following deficit fund balances:

Capital Projects	\$	22,577
Proprietary, Sewer Fund		36,889
Proprietary, Garbage Fund		28,521
Total	\$	<u>87,987</u>

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition. User fees for sewer and garbage should be adjusted to service operations and revenue debt. The City should control spending within corresponding revenue sources.

Response – We will monitor these funds closely and have made increases in sewer and garbage fees.

Conclusion – Response accepted.

City of Carson
Schedule of Findings
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-J-14 Urban Renewal Tax Increment Fund

Comment – The amount of low to moderate income set aside funds was over certified by \$50,991.

Recommendation – The City should decertify this amount.

Response – We will do this.

Conclusion – Response accepted.

II-K-14 Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management before December 1 and no exceptions were noted.